

Message Text

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1. THE FOLLOWING IS ADDITIONAL EDITORIAL COMMENT ON THE
IMF/IBRD MEETINGS (SEE REFS). IT IS EXCERPTED FROM AN
ARTICLE BY S. BRITTAN, WHICH APPEARED IN THE SEPTEMBER
29 FINANCIAL TIMES.

2. "100 FINANCE MINISTERS CAN BE WRONG. ... THERE ARE
PEOPLE FOR WHOM THE INCITEMENT TO WORLD 'REFLATION' BY
THE IMF -- OR MORE ACCURATELY ITS MANAGING DIRECTOR, DR.
JOHANNES WITTEVEEN -- WILL CLINCH THE ARGUMENT. THIS
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APPLIES TO THOSE WHO LOOK AT THE IMF AS A STAGE VILLIAN,
TAKING A DELIGHT IN THE SUFFERINGS OF HIS VICTIM. FOR
SUCH PEOPLE, IT WILL BE AS IF BARON SCARPIA (THE SADISTIC
CHIEF OF POLICE IN PUCCINI'S TOSCA) HAD SAID THAT THE
TORTURE HAD GONE TOO FAR. WHO THEN WOULD WANT TO ARGUE
TO THE CONTRARY?

FROM A MORE ADULT POINT OF VIEW, HOWEVER, THE IMF IS

NEITHER A VILLAIN NOR A HERO IMPOSING VIRTUE ON BACKSLIDING GOVERNMENTS. IT IS FIRST AND FOREMOST AN ORGANIZATION OF CREDITORS, WHO WISH TO BE REPAYED, AND WHICH WILL THEREFORE TAILOR ITS ADVICE TO THE BALANCE OF PAYMENTS (AT A CONVENTIONAL EXCHANGE RATE) OF THE BORROWING COUNTRY. SECONDLY IT IS CONCERNED WITH SECURING A BALANCE IN TOTAL INTERNATIONAL PAYMENTS WITHOUT RELYING TOTALLY ON MARKETPLACE EXCHANGE RATE ADJUSTMENTS -- FOR IN THAT CASE IT WOULD HAVE NOTHING TO DO AND MIGHT AS WELL SHUT UP SHOP. THIRDLY AND MORE VAGUELY, THE MANAGING DIRECTOR OF THE IMF FEELS A GENERAL RESPONSIBILITY TO PRESCRIBE FOR WORLD ECONOMIC ILLS. BUT IN SO DOING HE HAS NO MAGIC AND TENDS INEVITABLY TO REFLECT THE PREVAILING SENTIMENTS OF THE POLITICIANS AND OFFICIALS WHO MAKE UP HIS BOARD OF GOVERNORS;

CAN THE MAJORITY OF THE HUNDRED OR SO FINANCE MINISTERS AT THE IMF ANNUAL MEETING BE WRONG? OF COURSE THEY CAN, JUST AS THE EMPERORS, DIPLOMATS AND FIELD MARSHALLS OF THE OLD EUROPE COULD BE WRONG IN A WAY ATTESTED BY SEVERAL THOUSAND WAR MEMORIALS. THERE IS A SAYING IN THE JEWISH ETHICS OF THE FATHER, 'THOU SHALT NOT FOLLOW A MULTITUDE TO COMMIT ERROR' AND THIS APPLIES HOWEVER HIGH-RANKING THOSE COMPOSING A PARTICULAR MULTITUDE. ...

THE VERY INEFFECTIVENESS OF DEMAND MANAGEMENT MIGHT
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IN THE END PROVE OUR SALVATION. THE TEMPTATION OF THE APPROACH ALWAYS LAY IN THE FACT THAT FISCAL AND MONETARY BOOSTS REALLY DID RAISE OUTPUT AND EMPLOYMENT FOR A WHILE AND THE INFLATIONARY CRISIS ONLY CAME A COUPLE OF YEARS LATER. AFTER ALL, PRESIDENT NIXON WAS RE-ELECTED AND MR. HEATH NEARLY SO.

NOW, HOWEVER, PEOPLE IN THE FINANCIAL AND EVEN THE LABOUR MARKETS SEE THROUGH THE TRICK. A GOVERNMENT WHICH 'BOOSTED DEMAND' WOULD FIND INTEREST RATES RISING AND EXCHANGE RATES FALLING, AFTER A MUCH SHORTER INTERVAL, AND PROBABLY WAGE SETTLEMENTS RISING AS WELL. ON THE OTHER HAND THE SHORT-TERM BENEFIT TO OUTPUT AND EMPLOYMENT MAY WELL BE BRIEFER AND WEAKER THAN EVER BEFORE. THE SIREN SONGS WILL BE LESS ALLURING AND THE ALARM BELLS RING MUCH SOONER. IT IS ENCOURAGING THAT GOVERNMENTS ARE URGING OTHER GOVERNMENTS TO REFLATE AND ARE RELUCTANT TO TAKE THE LEAD THEMSELVES. THUS IN A SENSE THE MORE UNSUCCESSFUL GLOBAL DEMAND MANAGEMENT TURNS OUT TO BE, THE BETTER IT WILL BE FOR ALL OF US, CURRENTLY UNEMPLOYED INCLUDED."
STREATOR

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